

BILL # SB 1164

TITLE: AHCCCS; Children's Health Insurance Program

SPONSOR: Allen

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Timothy Sweeney

FISCAL ANALYSIS

Description

Restores the statutory authority for the coverage of the parents of children eligible for the KidsCare program. Current statute eliminates coverage of this population at the end of FY 2004. This legislation would continue this program beyond FY 2004.

Estimated Impact

The estimated General Fund cost for FY 2005 includes \$7,327,400 to fund the KidsCare Parents program. With the continuation of the KidsCare Parents program, however, AHCCCS's current federal waiver allows the use of enhanced federal monies in the Proposition 204 program. This provision would allow General Fund savings of approximately \$(9,897,900) in the Proposition 204 program, which would offset KidsCare Parents program costs for a net FY 2005 savings amount of \$(2,570,500), relative to the JLBC budget proposal. This savings amount in Proposition 204 represents an increase of \$2,697,900 above the original Executive savings estimate of \$(7,200,000). In FY 2006, however, these additional federal monies are not currently projected to be available. As a result, the FY 2006 impact is the full cost of the KidsCare Parents program, estimated to be approximately \$8,514,400.

Currently, AHCCCS estimates the FY 2005 General Fund cost of the KidsCare Parents program at \$7,458,400 and also expects \$(9,897,900) in General Fund savings in the Proposition 204 program, for net FY 2005 savings of \$(2,439,500).

	FISCAL YEAR		
	2004	2005	2006
General Fund:			
KidsCare Parents	\$-0-	\$7,327,400	\$8,514,400
Proposition 204 Savings	<u>-0-</u>	<u>(9,897,900)</u>	<u>0</u>
Net General Fund	\$-0-	\$(2,570,500)	\$8,514,400
Federal Funds:			
KidsCare Parents	\$-0-	\$24,642,200	\$28,634,000
Proposition 204 Savings	<u>-0-</u>	<u>9,897,900</u>	<u>0</u>
Net Federal Funds	\$-0-	\$34,540,100	\$28,634,000

Analysis

The KidsCare program provides AHCCCS health insurance coverage to children up to 200% of the Federal Poverty Level (FPL), who are otherwise not eligible for regular AHCCCS coverage. In FY 2003 this program was expanded to cover the parents of these children, up to 200% FPL, who are also not eligible for the regular AHCCCS programs. As in the regular AHCCCS program, KidsCare is funded with a combination of state and federal monies. The federal matching rate is approximately 3 to 1 for the KidsCare program, compared to the approximate matching rate of 2 to 1 for the regular AHCCCS program.

In addition to the KidsCare populations, Arizona's current federal waivers permit the use of these Title XXI monies on a portion of the Proposition 204 expansion population (childless adults between 40-100% FPL) at this higher 3 to 1 match rate.

The availability of the Title XXI monies is limited by the total federal allotment of Title XXI monies, but while they are available, they generate General Fund savings in the Proposition 204 program. The rules of the current waiver, however, require the state to provide services to the KidsCare parents population prior to spending Title XXI monies on the childless adults in the Proposition 204 program.

In FY 2004, \$9.2 million was appropriated from the General Fund to fund both services and the administrative costs of the KidsCare Parents program. This General Fund contribution is leveraged to generate approximately \$30.9 million in federal funds. Due to lower than expected enrollment in the program, however, the actual FY 2004 costs will likely be less than the appropriated amount. In FY 2004, this program is expected to serve approximately 10,000 members per month. Due to the coverage of the KidsCare Parents population in FY 2004, Title XXI monies are also available for a portion of the Proposition 204 population, as discussed above. Due to the enhanced matching rate, the use of the Title XXI funds is expected to save approximately \$14 million in General Fund monies in FY 2004. These savings are already incorporated into AHCCCS' FY 2004 budget.

If the KidsCare Parents program is continued in FY 2005, as occurs in the bill, there will be a General Fund cost for providing services to participants in the program and there could be some savings in the Proposition 204 program due to the enhanced federal match rate available with the Title XXI monies (3 to 1 federal match compared to the normal 2 to 1 match for Title XIX programs). The JLBC estimates that the cost of continuing the KidsCare Parents program in FY 2005 would be approximately \$7.3 million in General Fund monies. This estimate would provide services for approximately 12,000 members in the KidsCare Parents program. As in FY 2004, the continuation of this program would allow the use of Title XXI monies in the Proposition 204 program, producing General Fund savings. Originally, AHCCCS estimated that the Title XXI monies would be available to use in the Proposition 204 program for approximately half of FY 2005, and that General Fund savings of approximately \$(7.2) million would be then realized. AHCCCS has revised their savings estimate, however, and now expects approximately \$(9.9) in Proposition 204 savings in FY 2005. Due to the limited federal allotment of Title XXI monies, these monies may not be available in future years. Therefore, no savings in the Proposition 204 program are forecasted beyond FY 2005, even with the continuation of the KidsCare Parents program.

The Executive budget recommendation continues the KidsCare Parents program in FY 2005, and contains similar funding estimates for the cost of the program. The Executive proposal assumes the original AHCCCS savings estimate of \$(7.2) million, however, with the recent revision by AHCCCS the Executive proposal would generate FY 2005 savings of approximately \$(9.9) million.

Local Government Impact

This legislation could help avoid a cost increase for the counties. If coverage of the KidsCare population expires there could be an increase in uncompensated care costs to some hospitals. The magnitude of this potential cost to county hospitals cannot be determined.

2/10/04